

Russell T. Sharnsky
Mayor



Mark H. Ludwig
Finance Director
Jacob D. Kaufman
Tax Administrator/Assistant Finance Director

CITY OF FAIRLAWN

MEMORANDUM

To: Mayor Russell T. Sharnsky

From: Jacob D. Kaufman, Tax Administrator/Assistant Finance Director

Date: January 7, 2025

Subject: 2024 Finance/Tax Annual Report

Cc: Mark H. Ludwig, Finance Director

The City's unencumbered cash balances serve as useful measures of net resources available for spending at year-end and provide insight into the overall financial strength of the City. Included below is a comparison of the unencumbered cash balances of the City's funds at December 31, 2023 and 2024 followed by an analysis of the City's most significant funds:

Unencumbered Cash Balances	2023	2024	Increase/(Decrease)	
			Amount	Percentage
General Fund	\$ 10,217,692	\$ 9,680,761	\$ (536,931)	-5.3%
Income Tax Fund	7,724,120	7,408,222	(315,898)	-4.1%
Federal Grants Fund	778,524	320,317	(458,207)	-58.9%
Capital Improvement Fund	1,286,363	2,490,269	1,203,906	93.6%
Broadband Fund	2,247,127	2,901,690	654,563	29.1%
All Other Funds	5,572,656	7,126,334	1,553,678	27.9%
Total All Funds	\$ 27,826,482	\$ 29,927,593	\$ 2,101,111	7.6%

General Fund

The general fund is the primary operating fund of the City and accounts for nearly every City department. The Government Finance Officers Association (GFOA) believes it is essential for governments to maintain adequate general fund balances to ensure tax rate stability and to mitigate current and future risks. The unencumbered cash balance in the City's general fund decreased 5.3% to \$9,680,761 during 2024. At this level, it provides the City with a strong reserve balance equal to roughly five and a half months (45.9%) of the fund's 2024 expenditure budget. For comparison, the GFOA recommends that governments, at a minimum, maintain an unrestricted general fund balance of no less than two months (16.7%) of regular operating expenditures.

The table below provides a comparison of general fund revenues by source for 2023 and 2024:

Revenues by Source	2023	2024	Increase/(Decrease)	
			Amount	Percentage
Income tax transfers-in	\$ 10,861,012	\$ 10,213,204	\$ (647,808)	-6.0%
JEDD revenues	3,474,960	4,182,829	707,869	20.4%
Real and other taxes	1,034,093	1,137,469	103,376	10.0%
Charges for services	686,014	1,061,848	375,834	54.8%
Intergovernmental	450,322	436,297	(14,025)	-3.1%
Interest	1,124,071	1,290,746	166,675	14.8%
Advances-in	47,139	-	(47,139)	-100.0%
All other revenues	548,633	644,500	95,867	17.5%
Total	\$ 18,226,244	\$ 18,966,893	\$ 740,649	4.1%

Seventy-five percent of income tax revenues, net of refunds and collection costs, are required to be allocated to the general fund. This income tax allocation, included in the table above as “Income tax transfers-in,” is calculated on a trailing 12-month basis coinciding with the calendar year, meaning the amounts allocated to the fund in 2024 are based on the actual net collections in 2023. Net income tax revenues decreased by 5.5% in 2023, resulting in a lesser income tax allocation to the general fund in 2024. Please refer to the **Income Tax Fund** section for an analysis of actual income tax revenue collections in 2024.

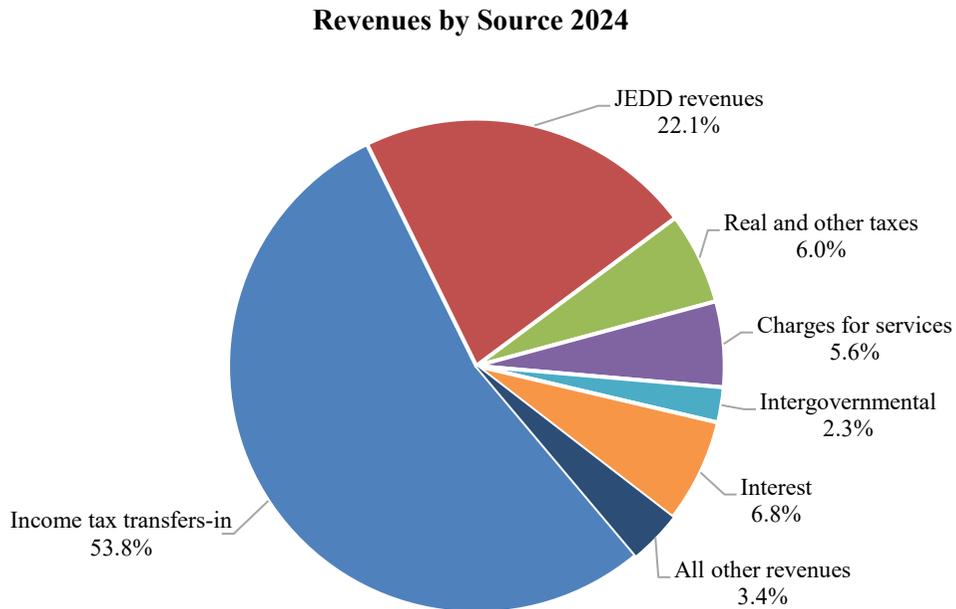
The City receives additional income tax monies, reported as Joint Economic Development District (JEDD) revenues, as the result of its participation in the Bath-Akron-Fairlawn JEDD. Akron is responsible for the administration, collection, and enforcement of the JEDD income tax. The City is entitled to 46.67% of the income tax proceeds from the JEDD, net of collection costs. The City’s share of JEDD revenues increased by 20.4% to \$4,182,829 in 2024. The increase resulted from the City receiving 14 monthly payments in 2024 versus only 11 in 2023.

Charges for services revenue increased by 54.8% or \$375,834, due, in part, to emergency medical service (EMS) fees increasing by \$138,803, as the number of transports increased 4.5%. In addition, school resource officer (SRO) fees increased by \$245,330 during the first full calendar year in which officers were stationed at Herberich Primary School and St. Hilary School.

Interest revenue increased by \$166,675, due to the Federal Reserve, Federal Open Markets Committee target federal funds rate averaging 5.02%-5.27% in 2024, up from the 2023 average of 4.98%-5.23%. The rate, which was increased to combat inflation, indirectly influences the short-term interest rates paid on the City’s investments.

All other revenues increased by \$95,867, due, in part, to the Community Improvement Corporation of Fairlawn (CIC) remitting \$61,894 in excess sales proceeds to the City, as required by Ohio Revised Code Section 1724.10. The proceeds represent the first of ten annual lease-purchase payments from the sale of 4.48 acres of real property in Fairlawn Corporate Park.

As shown below, the general fund continues to be heavily reliant upon income taxes and JEDD revenues, which accounted for 75.9% of the fund’s revenues in 2024:



The following table provides a comparison of general fund expenditures by function for 2023 and 2024:

<u>Expenditures by Function</u>	<u>2023</u>	<u>2024</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Percentage</u>
General government	\$ 2,623,489	\$ 2,673,548	\$ 50,059	1.9%
Security of persons and property	8,254,261	8,830,047	575,786	7.0%
Transportation	2,955,294	3,470,303	515,009	17.4%
Leisure time activity	436,079	482,430	46,351	10.6%
Transfers/Advances-out	1,549,342	3,149,900	1,600,558	103.3%
All other expenditures	803,608	786,734	(16,874)	-2.1%
Total	\$ 16,622,073	\$ 19,392,962	\$ 2,770,889	16.7%

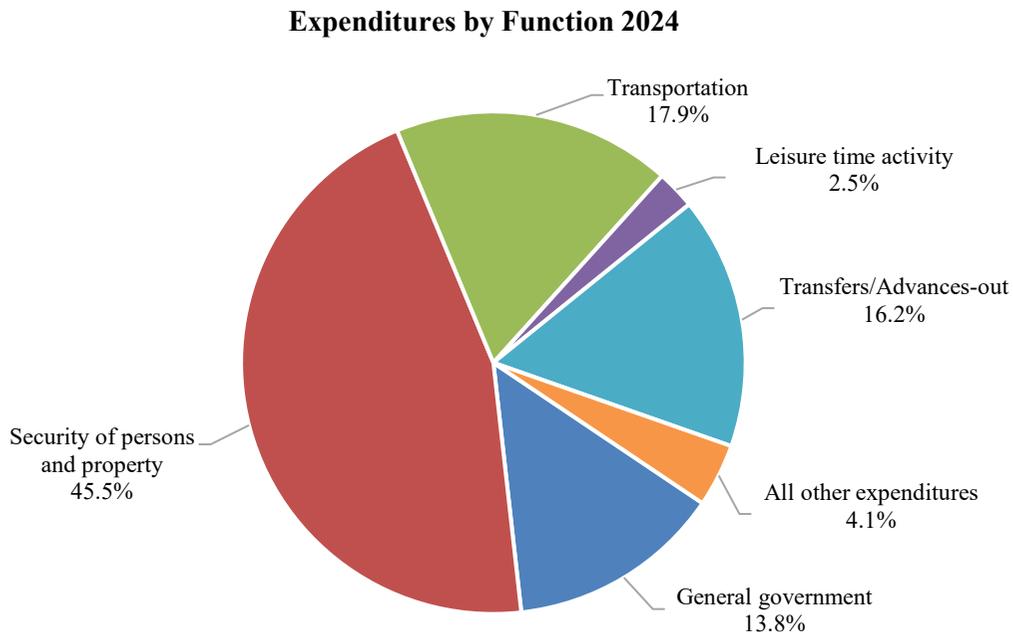
Increases in employee wages and health insurance costs impacted nearly every expenditure function in 2024. Salaries and wages were increased 3.0% for all employees, in accordance with various collective bargaining agreements and City ordinances. Furthermore, medical and dental insurance premiums increased 6.4% and 6.0%, respectively. Aggregate salaries/wages and fringe benefits costs amounted to \$11,294,395 or 58.2% of general fund expenditures.

The activities of the Police and Fire/EMS Departments are reported as security of persons and property expenditures, which increased by \$575,786 or 7.0% in 2024. Of this increase, \$481,572 can be attributed to increased personnel costs resulting from the aforementioned salaries/wages and health insurance increases.

Transportation expenditures, comprising the activities of the Engineering and Service Departments, increased by \$515,009 or 17.4%. Part of this increase resulted from the replacement of a \$63,725 traffic controller damaged by an auto accident, for which the City was fully reimbursed. Engineering plan reviews for various ongoing housing developments accounted for \$113,613 of the increase and were billed back to the respective developers. The City also spent an additional \$147,661 contracting with multiple firms to prepare engineered plans for various infrastructure improvements.

Interfund transfers/advances-out of the general fund increased by \$1,600,558 or 103.3%. The fund advanced (loaned) \$800,000 to the Rosemont Greens public improvement tax increment financing (TIF) fund, which will be repaid from the proceeds of a ten-year, 75% TIF placed the parcels served by the public infrastructure being improved. The fund also advanced \$805,000 to the federal capital grants fund in anticipation of federal Community Development Block Grant (CDBG) funding from Summit County to extend the FairlawnGig network.

The general fund's resources were primarily used for general government, security of persons and property, and transportation purposes, which accounted for 77.2% of the fund's expenditures in 2024, as illustrated below:



Income Tax Fund

The income tax fund accounts for the administration and collection of the City’s 2% income tax. Income taxes, the City’s largest revenue source, are collected to provide funds for the general operations of the City and the acquisition, construction, and improvement of the City’s capital assets. Seventy-five percent of income tax revenues, net of refunds and collection costs, are required to be allocated to the general fund, while the remaining 25% is required to be allocated to the capital improvement fund. The unencumbered cash balance in the income tax fund decreased \$315,898 or 4.1% during the year.

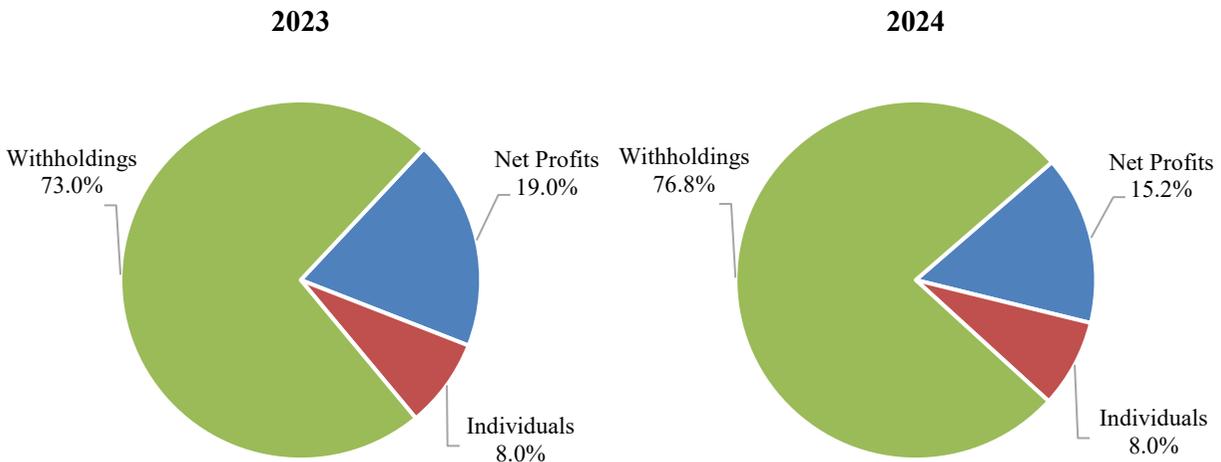
The following table provides a comparison of income tax revenues collected in 2023 and 2024:

	2023	2024	Increase/(Decrease)	
			Amount	Percentage
Income Tax Revenue	\$ 16,153,625	\$ 16,054,285	\$ (99,340)	-0.6%
Less: Refunds	(695,241)	(573,900)	121,341	-17.5%
Less: Shared Tax Paid to Akron	(1,979,452)	(1,854,151)	125,301	-6.3%
Net Income Tax Revenue	\$ 13,478,932	\$ 13,626,234	\$ 147,302	1.1%

Overall income tax revenues decreased by 0.6% in 2024 to \$16,054,285. Withholding tax revenues increased by \$545,351; however, that increase was offset by decreases in net profit and individual tax revenues of \$622,952 and \$21,738.13, respectively. The net profits decrease resulted from significant prior year overpayments by multiple taxpayers being carried forward to offset current year tax liabilities. Refunds decreased \$121,341 or 17.5%, as requests from non-resident individuals working remotely have tapered. Collections in our shared tax districts decreased by 5.66% to \$3,916,392. The City sent \$1,854,151 of those shared tax revenues to Akron in accordance with various tax sharing agreements. Net income tax revenues (less refunds and shared tax revenues remitted to Akron) amounted to \$13,626,234, or 1.1% greater than the prior year due to lesser amounts having to be refunded or shared with Akron.

As shown in the following chart, the composition of the City’s income tax revenues remained consistent, with 73.0% and 76.8% of revenues coming from withholding taxes in 2023 and 2024, respectively.

Income Tax Collections by Type



Federal Grants Fund

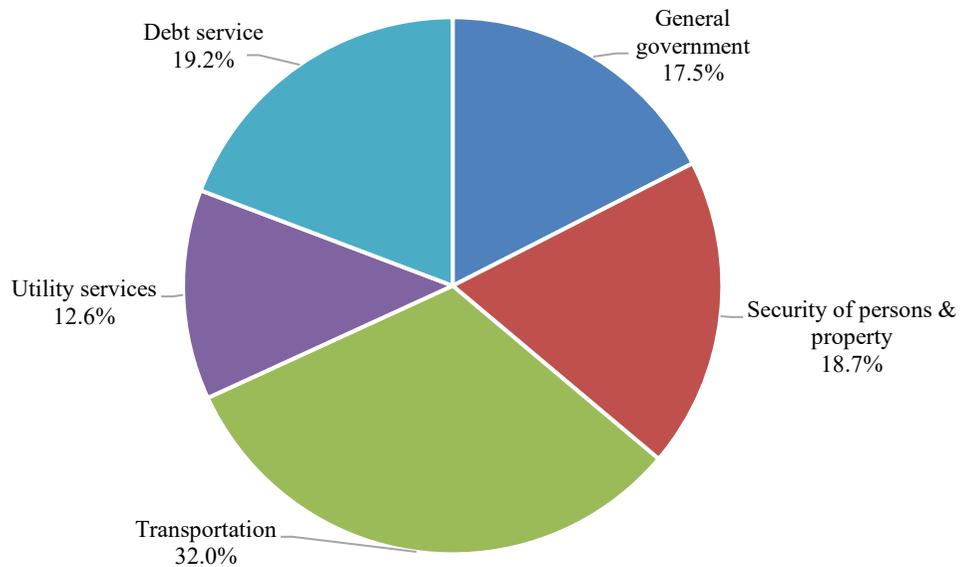
The federal grants fund separately tracks federal financial assistance awarded for noncapital-related purposes. Summit County awarded the City a federal Community Development Block Grant (CDBG) to extend the FairlawnGig network to the residents of three low-and moderate-income census tracks on Jacoby Road in Copley Township. The federal grants fund spent \$333,674 extending the network in 2024, \$257,153 of which was reimbursed by Summit County.

Capital Improvement Fund

The capital improvement fund accounts for the acquisition, construction, and improvement of the City's capital assets. The fund's unencumbered cash balance increased by \$1,203,906 or 93.6% during the year. The capital improvement fund received a \$750,000 transfer from the general fund, which was combined with another \$750,000 already set aside in the fund, to give the City \$1,500,000 toward the purchase of the new ladder truck for the Fire Department.

In addition to servicing the City's outstanding capital-related debt issues, the capital improvement fund's resources were used for general government, security of persons and property, transportation, and utility services purposes, as illustrated below:

Expenditures by Function 2024



The following major capital acquisitions and improvements occurred in 2024:

- Backup generator updates for City Hall (\$478,053)
- Backup generator for the Fire Station (\$226,350)
- Police cruiser(s) and upfitting (\$150,209)
- Plow truck (\$172,957)
- Street Repair Program (\$339,227)
- Dowling Dr sidewalks (\$284,551)
- Fairlawn Corporate Park Pond Relocation (\$439,144)

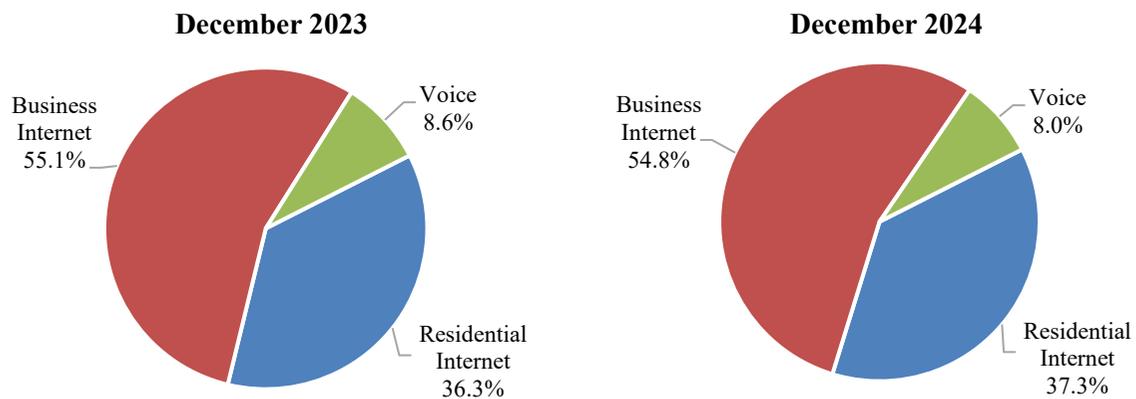
Broadband Fund

The broadband fund accounts for the activities of the City’s municipal broadband utility, FairlawnGig. The unencumbered cash balance in the broadband fund increased 29.1% to \$2,901,690 during the year. The increase was driven by cost-cutting measures and growth in the utility’s customer base and service offerings. The following table further details FairlawnGig’s year-over-year growth in terms of active customers and monthly recurring revenues:

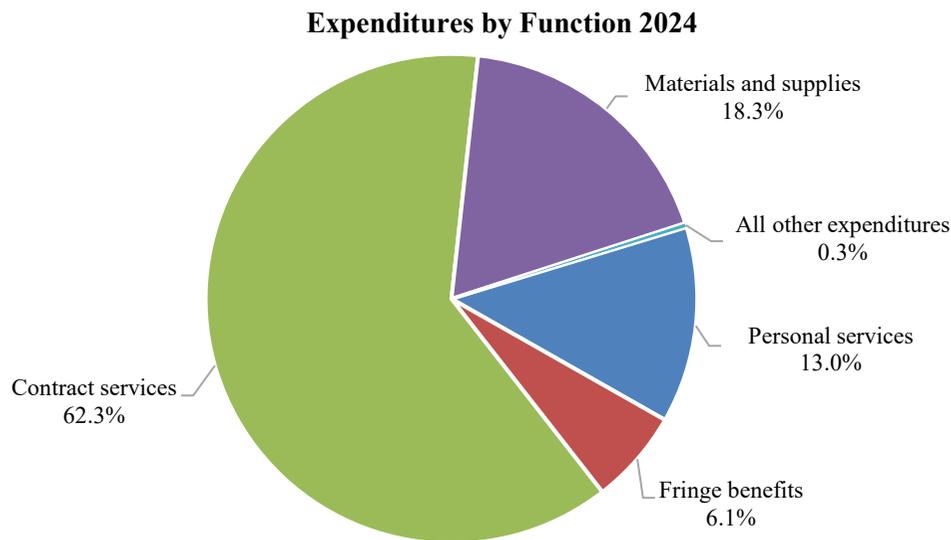
	December	December	Increase/(Decrease)	
	2023	2024	Amount	Percentage
Active Customers	2,338	2,408	70	3.0%
Monthly Recurring Revenues	\$ 264,608	\$ 268,129	\$ 3,521	1.3%
Average Revenue per User	\$ 113.18	\$ 111.35	\$ (1.83)	-1.6%

As shown in the following chart, the composition of FairlawnGig’s monthly recurring revenues shifted slightly, with internet services comprising 92.0% of revenues in 2024, up from 91.4% in 2023.

Monthly Recurring Revenues by Source



FairlawnGig’s resources were primarily used for contract services pertaining to customer installations, the provisioning of services, and maintenance of the system, which accounted for 62.3% of the utility’s expenditures in 2024, as illustrated below:



Independent Audit

The City’s basic financial statements for the year ended December 31, 2023 were compiled by the Finance/Tax Department with technical assistance provided by Julian & Grube, Inc. The State Auditor’s Office conducted the annual independent audit of the City’s financial statements and issued their report on September 23, 2024. The City received an unmodified audit opinion (the highest level possible) and the Ohio Auditor of State Award for excellence in financial reporting. Both are a testament to the hard work and professionalism of the Finance/Tax Department staff.

Subsequent Year’s Budget

On December 16, 2024, Council approved the 2025 temporary appropriations. Overall, the total temporary appropriations for all City funds (net of interfund activity) are \$80,384 or 0.2% less than the 2024 permanent appropriations. The table below provides a comparison of the City’s total appropriations, net of interfund activity, for 2024 and 2025:

Total Appropriations (net of interfund activity)	2024		2025		Increase/(Decrease)	
	Permanent	Temporary	Permanent	Temporary	Amount	Percentage
General Fund	\$ 18,399,860	\$ 18,046,356	\$ 18,046,356	\$ 18,046,356	\$ (353,504)	-1.9%
Income Tax Fund	3,413,023	3,382,953	3,382,953	3,382,953	(30,070)	-0.9%
Capital Improvement Fund	3,497,919	4,334,013	4,334,013	4,334,013	836,094	23.9%
Federal Capital Grants Fund	185,000	635,120	635,120	635,120	450,120	243.3%
Broadband Fund	2,989,791	3,278,383	3,278,383	3,278,383	288,592	9.7%
All Other Funds	6,057,196	4,785,580	4,785,580	4,785,580	(1,271,616)	-21.0%
Total All Funds	\$ 34,542,789	\$ 34,462,405	\$ 34,462,405	\$ 34,462,405	\$ (80,384)	-0.2%

The general fund's appropriations decreased \$353,504, or 1.9% below the 2024 permanent appropriations. Salaries and wages were increased by 3.0% for all employees and adjusted for anticipated personnel changes. Medical and vision insurance premiums decreased by 19.4% and 9.3%, respectively, while dental insurance premiums increased 8.0%.

The appropriations for the income tax fund are \$30,070 or 0.9% less than the 2024 permanent appropriations. The aforementioned salaries/wages and health insurance changes contributed to this overall decrease.

Appropriations in the capital improvement fund increased by \$836,094 or 23.9%. The following major capital acquisitions and improvements are included in the budget:

- Police Cruiser (\$95,000)
- Pumper Truck (\$1,000,000; loaned from the capital reserve fund)
- Service Department Pickup Truck (\$85,000)
- Asphalt Street Repair Program (\$200,000)
- Concrete Street Repair Program (\$150,000)
- S Cleveland-Massillon Rd Trail - Construction (\$150,000 local-share; \$750,000 state-share)
- Safe Routes to School - Smith Rd & Corunna Ave (\$450,000 local-share)
- Safe Streets for All - W Market St Demonstration (\$83,780 local-share)
- Croghan Park Playground (\$500,000)

Furthermore, an additional \$500,000 in capital improvement fund balance will be set aside and combined with \$1,500,000 previously set aside for the replacement of the Fire Department ladder truck in 2026.

The federal capital grants fund budget includes \$300,000 in federal Safe Routes to School funding to install sidewalks along Smith Rd and to make pedestrian signal and crosswalk upgrades adjacent to Herberich Primary School. It also includes \$335,120 in federal Safe Streets and Roads for All demonstration funding to implement temporary safety measures on W Market St between Cleveland-Massillon Rd and Smith Rd.

Finally, the broadband fund's appropriations increased by \$288,592 or 9.7% over the 2024 permanent appropriations. The impending renewal of various equipment warranties combined with the aforementioned increase in salaries/wages, health insurance changes, and addition of an administrative secretary contributed to the overall increase.

For additional information or questions, please contact the City of Fairlawn, Finance Department at 330-668-9524 or finance@fairlawn.us.

YTD Fund Report for Year 2024 Month 12 - City of Fairlawn

Fund	Description	Beg Yr Bal	YTD Rec	YTD Exp	Unexp	Enc	Unenc
101	GENERAL	11,517,160.93	18,966,893.38	19,392,961.60	11,091,092.71	1,410,331.87	9,680,760.84
211	STREET CONSTR. & MAINTENANCE	995,169.97	465,455.42	151,646.09	1,308,979.30	8,170.56	1,300,808.74
212	PERMISSIVE TAX	39,850.22	18,690.06	0.00	58,540.28	0.00	58,540.28
213	STATE HIGHWAY IMPROVEMENT	84,784.80	37,973.28	12,144.70	110,613.38	0.00	110,613.38
216	INCOME TAX	7,971,749.42	16,058,088.11	16,318,764.47	7,711,073.06	302,850.97	7,408,222.09
221	ENFORCE & EDUCATION (DUI)	14,466.79	145.00	321.06	14,290.73	11,874.50	2,416.23
222	SEWER MAINTENANCE & REPAIR	631,102.87	202,887.89	139,649.61	694,341.15	76,449.76	617,891.39
225	STEMCO URBAN REDEV TIF	0.00	94,231.12	94,231.12	0.00	0.00	0.00
226	ENERGY SID	0.00	0.00	0.00	0.00	0.00	0.00
227	CRYSTAL CLINIC URBAN REDEV TIF	0.00	1,363,716.36	1,363,716.36	0.00	0.00	0.00
228	COURT COMPUTERIZATION	3,817.54	3,555.00	2,590.00	4,782.54	0.00	4,782.54
229	ROSEMONT GREENS PUBLIC IMP TIF	341,328.70	1,054,917.54	264,544.69	1,131,701.55	190,093.90	941,607.65
230	ONEOHIO OPIOID SETTLEMENT	32,018.66	54,096.77	0.00	86,115.43	0.00	86,115.43
243	FEDERAL GRANTS	882,362.24	1,062,153.35	333,674.41	1,610,841.18	1,290,524.54	320,316.64
331	CAPITAL IMPROVEMENT	2,473,968.30	4,636,313.09	3,474,674.17	3,635,607.22	1,145,338.38	2,490,268.84
336	CAPITAL RESERVE	3,000,000.00	0.00	0.00	3,000,000.00	0.00	3,000,000.00
340	FEDERAL CAPITAL GRANTS	0.00	0.00	0.00	0.00	0.00	0.00
441	BOND RETIREMENT	0.00	0.00	0.00	0.00	0.00	0.00
510	BROADBAND	2,480,404.71	3,301,557.89	2,604,542.03	3,177,420.57	275,730.66	2,901,689.91
780	UNCLAIMED	7,896.17	5,998.95	1,770.64	12,124.48	0.00	12,124.48
781	ESCROW	2,400.00	5,700.00	6,900.00	1,200.00	0.00	1,200.00
782	STREET OPENING DEPOSIT	198,310.00	118,445.00	92,150.00	224,605.00	0.00	224,605.00
783	PERFORM/LANDSC DEPOSIT	114,676.00	20,950.00	39,225.00	96,401.00	0.00	96,401.00
784	POLICE PENSION	262,571.27	568,735.78	512,244.01	319,063.04	41,827.46	277,235.58
785	FIRE PENSION	280,147.25	491,435.78	417,833.69	353,749.34	33,674.85	320,074.49
786	LAW ENFORCEMENT TRUST	0.00	0.00	0.00	0.00	0.00	0.00
787	DRUG LAW ENFORCEMENT	65,800.55	1,118.00	0.00	66,918.55	0.00	66,918.55
788	FURTHERANCE OF JUSTICE	5,000.00	0.00	0.00	5,000.00	0.00	5,000.00
28 Funds		31,404,986.39	48,533,057.77	45,223,583.65	34,714,460.51	4,786,867.45	29,927,593.06

City of Fairlawn, Ohio
Income Tax Receipts
December 31, 2024

Type		YTD	YTD	Increase/(Decrease)	
Tax District (% shared)		YTD	Last Year	Vs. YTD Last Year	
Business Net Profit	\$	1,921,162.82	\$ 2,262,426.67	\$ (341,263.85)	-15.1%
Rosemont (33.3%)		146,099.69	84,152.68	61,947.01	73.6%
Link (40%)		25.00	4,821.46	(4,796.46)	-99.5%
Embassy Parkway (50%)		376,837.21	715,379.96	(338,542.75)	-47.3%
Shared Boundaries (50%)		3,204.00	3,500.00	(296.00)	-8.5%
Subtotal	\$	<u>2,447,328.72</u>	\$ <u>3,070,280.77</u>	\$ (622,952.05)	-20.3%
Individuals					
Resident		914,206.12	960,035.51	(45,829.39)	-4.8%
Non-resident		361,513.83	337,422.57	24,091.26	7.1%
Subtotal	\$	<u>1,275,719.95</u>	\$ <u>1,297,458.08</u>	\$ (21,738.13)	-1.7%
Withholding		8,941,010.36	8,442,330.89	498,679.47	5.9%
Rosemont (33.3%)		478,032.46	490,356.84	(12,324.38)	-2.5%
Link (40%)		-	-	-	-
Embassy Parkway (50%)		2,903,779.95	2,844,722.21	59,057.74	2.1%
Shared Boundaries (50%)		8,413.81	8,475.95	(62.14)	-0.7%
Subtotal	\$	<u>12,331,236.58</u>	\$ <u>11,785,885.89</u>	\$ 545,350.69	4.6%
Total Receipts	\$	<u>16,054,285.25</u>	\$ <u>16,153,624.74</u>	\$ (99,339.49)	-0.6%
Less: Refunds		(573,900.50)	(695,241.06)	121,340.56	-17.5%
Less: Shared Tax Owed to Akron		(1,854,150.73)	(1,979,451.67)	125,300.94	-6.3%
Total Net Receipts	\$	<u>13,626,234.02</u>	\$ <u>13,478,932.01</u>	\$ 147,302.01	1.1%